TFS SANDALWOOD PROJECT 2000

ANNUAL REPORT
FOR THE PERIOD TO 30 JUNE 2008

CONTENTS

RESPONSIBLE ENTITY'S REPORT

The Directors of TFS Properties Ltd (ACN 093 330 977), Responsible Entity for TFS Sandalwood Project 2000 ("the Project"), present their report together with the financial statements of the Project for the period ended 30 June 2008.

Directors

The names of the Directors of TFS Properties Ltd during the period and at the date of this report are:

Frank Cullity WILSON
Ronald Lionel EACOTT
Blake William MYLES
Ian MacKenzie MURCHISON
Ian Ross THOMPSON
Tim CROOT

Principal Activities

During the period the principal activity of the Project was the management of a Sandalwood plantation.

Change of State of Affairs

There was no significant change in the state of affairs of the Project.

Results of Operations and Likely Developments

The Project made a profit for the financial year ended 30 June 2008 of $853,704 (2006: $2,197,596).

This is due to the increment in the valuation of the sandalwood trees.

The TFS 2000 plantings are situated on Block 1 of King Location 385.

This Plantation was established in 2001 and is now 7 years of age.

Due to the decline in the supply of Indian Sandalwood in India, only small quantities of heartwood have been sold at recent auctions. Consistent price growth has been the result of the growing imbalance between the supply and demand that characterises the Indian Sandalwood market.

The price of Indian Sandalwood has continued to increase at a compounded rate of 21% over the last 16 years. At the latest auction held by the Tamil Nadu Forestry Department, 108 tonnes of heartwood was sold for an average price of $107,985 per tonne (December 2007).

Expert Forester's Report

An extract from a report on the Plantation by our independent expert forester, Mr Peter Kimber follows:

TFS Sandalwood Project 2000 is situated on King Location 385 and is divided into two compartments (numbered 1 and 2) for management purposes. Both were planted in the year 2001 and are now 7 years old.

Compartment 1 was planted with only one long-term host species, *Cathormion umbellatum*. Hosts in compartment 2 were predominantly *Cathormion* but included some Indian rosewood trees (*Dalbergia latifolia*). The *Cathormion* host trees suffered a severe attack of scale insect and white fly a few years after planting which proved difficult to control, and the insects eventually took 2 years to eliminate during which time the *Cathormion* declined. The effect was serious in compartment 1 where there were no other hosts and growth rate of the sandalwood trees declined noticeably. In compartment 2 the additional *Dalbergia* hosts lessened the impact of the sick *Cathormion* and sandalwood growth appeared not to be affected.
All the plantations in this locality are now checked regularly for the presence of injurious insects on the *Cathormion*, and the plantation manager has undertaken a health improvement programme for this species involving extra watering and the spot application of fertilizer. The hosts are responding and the sandalwood trees are now looking far healthier and more vigorous.

Both compartments adjoin a water supply channel, leakage from which makes the soil on the outside row of sandalwood moister than desirable. As a consequence there have been a few sandalwood deaths caused by the root-rotting fungus *Phytophthora cinnamomi*. The plantation manager has planted an extra row of long-term hosts (*Cassia* and *Dalbergia*) around the entire boundary of both compartments which is providing a two-fold benefit. Those adjacent to the water supply channel will use up the leakage water allowing the soil to better dry out between irrigations in the outside row of sandalwood. The additional hosts will also protect the stems of the outer sandalwood rows from sun-scorch to which they are prone, and improve the ratio of hosts to sandalwood in the compartments.

Silvicultural operations during the year under review included weed control, pruning the sandalwood to produce a branch-free lower bole, and irrigating.

Weed control was commenced as soon as the soil surface had dried out after the wet season and consisted of two passes of a slasher, 3 months apart over the access rows and a side spray of herbicide along the tree rows directed at the base of the tree where it is protected by thick bark. Manually removing creepers that are threatening to smother the smaller trees is carried out on an as-needed basis. This is an ongoing task due to the continual introduction of seed of the worst creeper, stinking passionfruit, by birds.
Pruning of the lower bole of the sandalwood was carried out in both compartments to remove epicormic shoots.

The plantation was regularly irrigated throughout the dry season on a 6 to 7 weekly cycle. At each irrigation water is siphoned from an adjacent water supply channel and directed into furrows between the rows of trees. Water flow is maintained for approximately 24 hours to allow deep infiltration after which the siphons are removed and the excess water is allowed to drain away.

Infrastructures were maintained as necessary. This includes the removal of silt from water supply channels and drains, the grading of access tracks at the beginning of the dry season and the ploughing of firebreaks where the plantation adjoins native bush. Channels, drains and the verges of access tracks are maintained in a weed-free condition by periodically spraying with herbicide.

In summary the sandalwood in both compartments is looking healthy and their vigour in compartment 1 is rapidly improving following remedial treatment to the *Cathormion* hosts. Sandalwood in compartment 2 has retained its vigour since planting and is looking excellent.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2008 has been received and can be found on page 21 of the financial report.

For and on behalf of the Directors of TFS Properties Ltd:

Frank Cullity Wilson

Perth, 14th day of January, 2009

Bentleys
Thinking ahead

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Independent Audit Report

To the Members of T.F.S Sandalwood Project 2000

We have audited the accompanying financial report of T.F.S Sandalwood Project 2000, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration at the year's end.

Directors Responsibility for the Financial Report

The directors of the responsible entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Auditor's Opinion

In our opinion:

a. The financial report of T.F.S Sandalwood Project 2000 is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the registered scheme's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1

Bentleys

BENTLEYS
Chartered Accountants

RANKO MATIC
Director

DATED at PERTH this 14th day of January 2009

TFS SANDALWOOD PROJECT 2000
INCOME STATEMENT
FOR THE YEAR TO 30 JUNE 2008

	NOTE	2008 $	2007 $
REVENUE			
Establishment fees		-	-
Lease & management fees		167,455	188,003
Other income:			
Net increment in net value of biological assets		853,704	2,197,596
		1,021,159	2,385,599
EXPENSES			
Audit fees		4,050	3,675
Doubtful / Bad debts		12,348	-
Compliance committee remuneration		4,200	4,270
Filing fees		417	1,685
Leasing fees		85,402	95,162
Management expenses		82,053	92,841
Reimbursement of expenses by responsible entity		(21,015)	(9,630)
		167,455	188,003
NET PROFIT		853,704	2,197,596

The Income Statement should be read in conjunction with the accompanying notes.

TFS SANDALWOOD PROJECT 2000
BALANCE SHEET
AT 30 JUNE 2008

	NOTE	2008	2007
		$	$
CURRENT ASSETS			
Cash and cash equivalents	2	-	-
Trade and other receivables	3	51,099	10,420
Other	4	42,667	42,667
TOTAL CURRENT ASSETS		93,766	53,087
NON CURRENT ASSETS			
Biological assets	5	10,556,569	9,702,865
Other	4	298,667	341,333
TOTAL NON-CURRENT ASSETS		10,855,236	10,044,198
TOTAL ASSETS		10,949,002	10,097,285
CURRENT LIABILITIES			
Trade and other payables	6	51,099	10,420
Unearned Income	7	42,667	42,667
TOTAL CURRENT LIABILITIES		93,766	53,087
NON CURRENT LIABILITIES			
Unearned Income	7	298,667	341,333
TOTAL NON-CURRENT LIABILITIES		298,667	341,333
TOTAL LIABILITIES		392,433	394,420
NET ASSETS		10,556,569	9,702,865
GROWERS' FUNDS			
Undistributed income reserve		10,556,569	9,702,865
EQUITY		10,556,569	9,702,865

The Balance Sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR TO 30 JUNE 2008

	NOTE	Undistributed Income $	Total $
Balance at 1.7.2006		7,505,269	7,505,269
Profit for period		2,197,596	2,197,596
Sub-Total		9,702,865	9,702,865
Distributions provided for or paid		-	-
Balance at 30.06.2007		9,702,865	9,702,865
Balance at 1.7.2007		9,702,865	9,702,865
Profit for period		853,704	853,704
Sub-Total		10,556,569	10,556,569
Distributions provided for or paid		-	-
Balance at 30.06.2008		10,556,569	10,556,569

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT
FOR THE YEAR TO 30 JUNE 2008

	NOTE	2008 $	2007 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Inflows			
Receipts from growers		100,855	164,719
(Outflows)			
Payments to suppliers		(100,855)	(164,719)
	8(b)	-	-
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Payment for establishment of plantations		-	-
		-	-
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Other			-
		-	-
Net increase / (decrease) in cash held		-	-
Cash at beginning of financial year		-	-
Cash at end of financial year	8(a)	-	-

The Cash Flow Statement should be read in conjunction with the accompanying notes.

1. SUMMAY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report covers the TFS Sandalwood Project 2000. The TFS Sandalwood project 2000 is a Managed Investment Scheme registered in Australia.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards; including Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, except for Sandalwood trees (which are biological assets), which are recorded at net market value. This report does not take into account changing money values or, except where stated, current valuations of non current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Accounting Policies

(a) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Project and the revenue can be reliably measured. All revenue is stated net of the amount of goods and services tax (GST). The following specific revenue recognition criteria must also be met before revenue is recognised.

Operating revenue:

- Timber Lot sales (Establishment Fees) are recognised as revenue on acceptance of the application by the responsible entity. The directors of the responsible entity are of the view that this recognition policy most appropriately reflects the timing in which the probability of the economic benefits flows to the entity based on commitments made by investors and costs expended to date.
- Lease and Management Fees are recognised as revenue in the period to which they relate.

(b) Biological assets

Sandalwood trees are measured at the Responsible Entity's Director's assessment of their market value at each reporting date. The net market value is determined as being the net present value of expected future cash flows (discounted at a risk adjusted rate).

Net increments or decrements in the market value of the Sandalwood trees are recognised as revenues or expenses in the Income Statement, determined as:

(i) the difference between the total net market values of the trees recognised as at the beginning of the period and the total net market values of the trees recognised as at the reporting date; less
(ii) costs incurred during the reporting period to acquire and plant Sandalwood trees.

Costs incurred in maintaining or enhancing trees are recognised as expenses when incurred. Therefore, those costs are not included in the determination of the net increment in net market values.

(c) Income Tax

Under current legislation, the scheme is not subject to income tax provided the Growers are presently entitled to the income of the Project.

Unrealised gains and losses on investments which are regarded as income, are transferred to Growers' funds and are not distributable and assessable until realised. When income is realised, tax will be paid by the growers at the marginal rates of tax that exist under the relevant tax legislation at the date of realisation.

(d) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand and in banks, and short-term deposits at call.

(e) Trade and other Receivables

Trade receivables are recognised and carried at original invoice amount, or the amount due less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. The amount provided for is the portion of deemed uncollectible after the value of trees as security has been taken into account. Bad debts are written off as incurred. Amounts due from growers are recognised and carried at the amount stated in the loan agreement plus accrued interest, less any principal repayments received.

(f) Trade and other Payables

Liabilities for creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Payables to related parties are carried at the principal amount. Interest is recognised as an expense on accruals basis. Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates.

(g) Unearned Income

Prepaid Lease and Management Fees are recognised on a straight line basis over the term of the project as this is considered to closely approximate the value of the service provided. The unearned portion is deferred and recorded as unearned income.

(h) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Balance Sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(i) Impairment of Assets

At each reporting date, the economic entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

(j) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Financial instruments are initially measured as cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Classification and Subsequent Measurement

Financial assets at fair value through profit and loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the company's intention to hold these investments to maturity. Any held-to-maturity investments held by the company are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(k) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Critical Accounting Estimates and Judgements

The directors of the Responsible Entity evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the group.

Key Estimate – Biological Asset valuation

As referred to in Note 1(b) and Note 5, as required under the accounting standards the directors of the responsible entity make an estimate as to the market value of the standing sandalwood trees held by the scheme. The carrying value of the sandalwood trees at year end is shown in Note 5. The market value is calculated as the net present value of expected future cashflows. The estimates used in calculating the expected future cashflows include assumptions on yields in terms of survival rates of trees, and heartwood and oil content of the trees, as well as assumptions as to the future price of the heartwood logs. All estimates are based on the best information currently available and where there is any doubt the scheme uses the more conservative estimates.

Key Estimate and Judgement – Provision for Impairment of Receivables

The entity assesses the likelihood of any impairment of the entity's receivables at each reporting date by evaluating those payments that are in arrears and making a judgement as to the likelihood of that receivable not being paid based on all knowledge available of the debtor. When recovery is assessed as doubtful, the entity estimates by how much the security held by the company against the receivable will be insufficient to adequately cover the debt and records a provision accordingly. The total provision for impairment of receivables at year end is shown in Note 3.

The financial report was authorised for issue on 14 January 2009 by the board of directors of the responsible entity.

	NOTE	2008 $	2007 $
2. CASH AND CASH EQUIVALENTS			
Cash at bank		-	-
3. TRADE AND OTHER RECEIVABLES			
Outstanding fees (i)		63,447	10,420
Less: Provision for impairment of receivables		(12,348)	-
		51,099	10,420

(i) Outstanding fees represent moneys receivable from growers for the cost of establishment of the plantation. No interest has been charged on amounts due.

	NOTE	2008 $	2007 $
4. OTHER ASSETS			
Current			
Prepayments (i)		42,667	42,667
Non Current			
Prepayments (i)		298,667	341,333

(i) prepayments represent lease and management fees paid to the manager in advance of the period in which the lease and management services are to be provided.

	NOTE	2008 $	2007 $
5. BIOLOGICAL ASSETS			
Sandalwood trees at cost of establishment (still to be planted at balance date)		-	-
Sandalwood trees at net market value (planted at balance date)		10,556,569	9,702,865
		10,556,569	9,702,865
(a) Physical quantity of sandalwood trees planted and owned			
Number of sandalwood trees		18,823	18,823
Area under lease (planted)		50.3	50.3
Area under lease (to be planted)		0.0	0.0
Growers in project (units)		302	302

(b) Nature of Asset

Investors in the TFS Sandalwood Project 2000 who are referred to as "Growers" subscribed for Sandalwood Lots of size one-sixth of a hectare each upon which Sandalwood trees have been established.

The Sandalwood plantation is situated at King Location 385, approximately 8 kilometres from the Western Australian township of Kununurra.

The land upon which the Sandalwood plantation is located is either owned or leased by the Responsible Entity. Growers lease the land from the Responsible Entity for the duration of the Project. The Project will continue in operation until the date on which the last of the Growers has been advised that the produce of the Sandalwood crop from each leased area which is leased by the Grower has been harvested and that the relevant Lease and Management Agreement has been terminated but in any event, not later than 30 June 2016.

The net market value of the Sandalwood trees has been determined in accordance with a Directors' valuation in accordance with the AASB's to reflect the market value of plantation.

(c) Significant Assumptions

Significant assumptions made in determining the net market value of the trees are:

- 100% of the trees will be harvested and sold in 2015/2016;
- the price of Sandalwood is constant in real terms;
- the costs expected to arise on harvest are constant in relative terms; and
- the pre-tax average real rate at which the net cash flows have been discounted is at between 15%-17% per annum

Cash flows exclude income taxes and are expressed in real terms.

	NOTE	2008 $	2007 $
6. TRADE AND OTHER PAYABLES			
Trust funds payable to responsible entity (i)		51,099	10,420
GST payable		-	-
		51,099	10,420

(i) Trust funds payable to responsible entity represents the sum of monies payable by growers to the responsible entity under the lease and management agreement yet to be paid across. No interest in payable on outstanding amounts.

7. UNEARNED INCOME		
Current		
Prepaid lease & management fees	42,667	42,667
Non Current		
Prepaid lease & management fees	298,667	341,333

Represents lease & management fees received in advance of services being provided.

	NOTE	2008 $	2007 $
8. CASHFLOW INFORMATION			
(a) Reconciliation of cash			
Cash balance comprises:			
Cash at bank		-	-
(b) Reconciliation of net operating income to net cash flows from operating activities			
Net operating income		853,704	2,197,596
Adjustments:			
(Increase) / decrease in net receivables		(40,679)	582
(Increase) / decrease in prepayments		42,666	42,667
(Increase) / decrease in market value of sandalwood trees		(853,704)	(2,197,596)
Increase / (decrease) in payables		40,679	(582)
Increase / (decrease) in unearned income		(42,666)	(42,667)
Net cash inflow / (outflow) from operating activities.		-	(0)

9. RELATED PARTY DISCLOSURE

(a) Responsible Entity

The Responsible Entity of the TFS Sandalwood Project 2000 is TFS Properties Ltd, whose immediate and ultimate holding company is TFS Corporation Limited.

(b) Directors and Key management

The Directors and key management of the Responsible Entity during the period were:

Frank Cullity WILSON – Executive Chairman
Ronald Lionel EACOTT - Director
Blake William MYLES - Director
Ian MacKenzie MURCHISON – Director
Ian Ross THOMPSON – Executive Director
Tim CROOT – Director
Quentin MEGSON – Chief Financial Officer

(c) Fees paid or payable to the Responsible Entity

The Responsible Entity receives all Establishment, Lease and Management Fees which have been paid by the Project during the period.

The Responsible Entity provides Sandalwood plantation establishment and management services for TFS Sandalwood Project 2000 and carries out the custodial and administrative functions.

Transactions between TFS Sandalwood Project 2000 and TFS Properties Ltd result from normal dealings with that company as the Project's Responsible Entity and holder of a dealer's license.

(d) Holdings of Directors and Director Related Entities

A total of 76 lease interests are held by Directors or parties related to Directors on the same terms and conditions as other Growers. No amount is outstanding at year end.

(e) Key management compensation

No compensation has been paid by the scheme, or the responsible entity directly to key management personnel

10. COMPLIANCE MATTERS

(a) Compliance Committee

The Compliance Committee during the period consisted of:

Ron Eacott (Chairman) - Director of TFS Properties Ltd
Robert Marusco – Nissen Kestel & Harford
John O'Brien – Optima Partners

The Compliance Officer during the period was Roger Pratt of Optima Partners.

(b) Remuneration of Compliance Committee

$4,200 (2007: $4,270) (GST exclusive) was paid to the external members of the Compliance Committee by the Responsible Entity for provision of their services during the period ended 30 June 2008.

11. AUDIT

Bentleys are the auditors of the Project and the Project's Compliance Plan. During the year the auditors received remuneration in relation to the project of $4,050 (2007: $3,675)

12. SEGMENT INFORMATION

The Project operates in one industry segment, being investment activities and in one geographical segment, being Australia.

13. SUBSEQUENT EVENTS

Since 30 June 2008 the Australian dollar exchange rate with the United States dollar has declined substantially. As this exchange rate is used as part of the calculation of the value of the biological assets this would have a material positive impact on the value of those assets of approximately $4.1m (on a pre tax basis) as at the date of this report..

No other events have occurred since balance date that has significantly affected or may significantly affect the Project.

14: FINANCIAL RISK MANAGEMENT

(a) Financial risk management

The project's financial instruments consist mainly of deposits with banks, and accounts receivable.

(i) Treasury risk management

The executive chairman and chief financial officer of the responsible entity regularly analyse financial risk exposure and evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. The overall treasury risk management strategy is to assist the project in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

(ii) Financial risk exposures and management

The main risks the project is exposed to through its financial instruments are interest rate risk, liquidity risk, foreign currency risk, credit risk, and agricultural risk.

Interest rate risk

Interest rate risk is the risk that a financial investment's value will fluctuate as a result of changes in market interest rates. The Project's exposure to interest rate risk is as follows:

<u>Financial Assets</u>

Cash	$0
Weighted average debit interest rate (p.a.)	0%
Weighted average credit interest rate (p.a.)	3.00%
Interest rate type	Variable

The Project had no other financial assets or financial liabilities with exposure to interest rate risk as at balance date.

Liquidity risk

The project manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Foreign currency risk

The project is exposed to fluctuations in foreign currencies in relation to its valuation of biological assets and specifically the company owned sandalwood plantations.

Credit risk

Credit risk represents the risk that a counterparty will fail to perform contractual obligations under a contract. The Project's only credit risk exposure relates to debtors who comprise the receivable balance at 30 June 2008. A provision for impairment is recognised when collection of the full nominal amount is uncertain.

Agricultural risk

The project is exposed to agricultural risks in relation to the establishment and maintenance of its sandalwood plantations. These risks are managed by ensuring appropriate qualified staff (including foresters and agronomists etc) are employed to undertake and monitor the agricultural activities. Those activities are underpinned by manuals that have been developed to mitigate many of the risks attributable to the plantations.

Price risk

The project is exposed to commodity price risk in relation to its valuation of biological assets and specifically the company owned sandalwood plantations.

(b) Financial instruments

(i) As at 30 June 2008 the project had not entered into any derivative financial instruments, foreign exchange contracts, interest rate swaps or similar contracts.

(ii) Net fair values

The Project's financial assets and liabilities included in the Balance Sheet are carried at their net fair value. Refer to Note 1 for the methods and assumptions adopted in determining net fair values for Sandalwood trees.

(c) Sensitivity Analysis – Interest rate risk, Foreign currency risk, Price risk

The entity has performed a sensitivity analysis relating to its exposure to interest rate risk, foreign currency risk and price risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change to these risks.

Interest rate sensitivity

At 30 June 2008, the effect on profit and equity as a result of changes in the after tax interest rate, with all other variables remaining constant would be as follows:

	2008 $	2007 $
Change in profit		
- increase in interest rate by 1% point	-	-
- decrease in interest rate by 1% point	-	-
Change in equity		
- increase in interest rate by 1% point	-	-
- decrease in interest rate by 1% point	-	-

Foreign currency risk sensitivity analysis

At 30 June 2008, the effect on profit and equity as a result of changes in the after tax value of the Australian dollar to the US Dollar, with all other variables remaining constant would be as follows:

	2008	2007
	$	$
Change in profit		
- improvement in AUD to USD by 5%	(382,428)	(359,006)
- decline in AUD to USD by 5%	382,427	359,006
Change in equity		
- improvement in AUD to USD by 5%	(382,428)	(359,006)
- decline in AUD to USD by 5%	382,427	359,006

Price risk sensitivity analysis

At 30 June 2008, the effect on profit and equity as a result of changes in the after tax price risk, with all other variables remaining constant would be as follows:

				2008	2007
				$	$
Change in profit					
- increase in sandalwood oil price by $100/kg				360,392	334,749
- decrease in sandalwood oil price by $100/kg				(360,393)	(334,749)
Change in equity					
- increase in sandalwood oil price by $100/kg				360,392	334,749
- decrease in sandalwood oil price by $100/kg				(360,393)	(334,749)

15. PROJECT DETAILS

The registered office of the project is:
254 Adelaide Terrace
Perth WA 6000

The principal places of project are
Head Office
254 Adelaide Terrace
Perth WA 6000

Plantation
King Location 385, Packsaddle Road
Kununurra WA 6743

16. CHANGES IN ACCOUNTING POLICIES

The following Australian Accounting Standards have been issued or amended and are applicable to the project but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	Standards Affected	Outline of Amendment	Application Date of the Standard	Application Date for the Group
AASB 2007–3 Amendments to Australian Accounting Standards	AASB 5: Non current assets held for sale and discontinued operations. AASB 6: Exploration for and evaluation of minerals AASB 102: Inventories AASB 107: Cash flow statements AASB 119: Employee benefits AASB 127: Consolidated and separate financial statements AASB 134: Interim financial reporting AASB 136: Impairment of assets AASB 1023: General insurance contracts. AASB 1038: Life insurance contracts	The disclosure requirements of AASB 114: Segment Reporting have been replaced due to the issuing of AASB 8: Segment Reporting in February 2007. These amendments will involve changes to segment reporting disclosures within the financial report. However it is anticipated there will be no direct impact on recognition and measurement criteria amounts to be included in the financial report.	1 January 2009	1 July 2009
AASB 8 Operating Segments	AASB 114: Segment Reporting	As above	1 January 2009	1 July 2009
AASB 2207-6 Amendments to Australian Accounting Standards	AASB 1: First time adoption of AIFRS AASB 101: Presentation of financial statements. AASB 107: Cash flow statements AASB 111: Construction contracts AASB 116: Property, plant and equipment AASB 138: Intangible assets	The revised AASB 123: Borrowing Costs issued in June 2007 has removed the option to expense all borrowing costs. This amendment will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. However, there will be no direct impact to the amounts included in the financial group as they already capitalise borrowing costs related to qualifying assets.	1 January 2009	1 July 2009
AASB 123 Borrowing costs	AASB 123: Borrowing costs	As above	1 January 2009	1 July 2009
AASB 2007-8 Amendments to Australian Accounting Standards	AASB 101: Presentation of Financial Statements	The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity,	1 January 2009	1 July 2009
AASB 101	AASB 101: Presentation of Financial Statements	As above.	1 January 2009	1 July 2009

All other pending Standards issued between the previous financial report and the current reporting dates have no application to the project.

DIRECTORS' DECLARATION
FOR THE YEAR TO 30 JUNE 2008

In accordance with a resolution of the Directors of TFS Properties Ltd, I state that:

In the opinion of the Directors:

(a) the financial statements and notes of the registered Project are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the registered scheme's financial position as at 30 June 2008 and its performance, as represented by the results of its operations and its cash flows for the period ended on that date; and

  (ii) complying the Accounting Standards and the Corporations Regulations; and

(b) there are reasonable grounds to believe that the registered scheme will be able to pay its debts as and when they become due and payable.

On behalf of the Board
TFS Properties Ltd

FRANK CULLITY WILSON
DIRECTOR

Dated: this 14th day of January, 2009

Bentleys
Thinking ahead

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To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

This declaration is made in connection with our audit of the financial report of T.F.S. Sandalwood Project 2000 for the year ended 30 June 2008 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the audit.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

RANKO MATIC
Director

DATED at PERTH this 14th day of January 2009